



**MINUTES OF
CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall - 8th Floor Conference Room
400 Stewart Avenue
Las Vegas, Nevada
City of Las Vegas Internet Address: <http://www.lasvegasnevada.gov>**

**October 20, 2005
10:00 a.m.**

CALL TO ORDER: Vice-Chair Brown called the meeting to order at 10:12 a.m.

ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW:

City Clerk Barbara Jo Ronemus announced that the requirements of the Open Meeting Law had been met.

ATTENDANCE:

Present: Councilman Larry Brown
Councilman Lawrence Weekly
Member Jose Troncoso
Elizabeth Fretwell, Deputy City Manager
Val Steed, Chief Deputy City Attorney
Radford Snelding, City Auditor
Bryan Smith, Sr. Internal Auditor
Bill Cimo, Sr. Information Technology Auditor
Gary Philips, Internal Auditor II
Bonnie Mocek, Internal Auditor II
Nancy Beaty, Internal Auditor II
Barbara Jo Ronemus, City Clerk
Stacey Campbell, Administrative Secretary, City Clerk's Office

Excused: Chair Michael Kern
Member Paul Workman

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Approval of the Final Minutes by reference of the Audit Committee Meeting of July 21, 2005.

BACKUP DOCUMENTATION:

None.

MOTION:

WEEKLY - Motion to approve – TRONCOSO seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

There was no discussion.

(10:12 – 10:13)

1-15

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on the Audit Oversight Committee Bylaws.

BACKUP DOCUMENTATION:

1. Current bylaws.
2. Submitted after meeting: Revised bylaws as approved during meeting – final version

MOTION:

WEEKLY - Motion to adopt amended bylaws as discussed – TRONCOSO seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

City Clerk Ronemus explained that some housekeeping was required with regard to Article 3, Section 3 of the bylaws. The second sentence of that section allows for members of the committee to adjourn a meeting when a quorum is not present; however, under the open meeting law, a meeting could not be called to adjourn. She recommended removal of the sentence. City Clerk Ronemus also referenced, Article 5, Section 2, which pertained to vacancies, and indicated the second sentence was no longer necessary as there is no limit to the number of terms a member may serve, filling an unexpired portion is no longer necessary.

Vice-Chair Brown confirmed with Deputy City Attorney Val Steed that the proposed changes were acceptable.

(10:13 – 10:14)

1-16

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

General report by the City Auditor.

BACKUP DOCUMENTATION:

1. Submitted after the meeting: Two PowerPoint presentation slides

MOTION:

TRONCOSO - Motion to accept the report – WEEKLY seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Mr. Snelding noted that a new staff member, Nancy Beaty, joined the Audit staff on October 10, 2005. She replaced Phillip Chang who left the City to work for the City of North Las Vegas. Ms. Beaty has worked at Metro and in the audit office at Clark County. She is very experienced in performance auditing, which is a valued skill. Vice-Chair Brown welcomed Ms. Beaty.

The first item of the report pertained to a general report on the audits in process. Currently, the Credit Card Receipting Audit, being led by Bill Cimo, is in the reporting phase. SafeKey Cash Controls Audit, led by Mr. Snelding, is in the beginning stages of fieldwork. The Detention and Enforcement Detention Services – Training Audit, led by Bryan Smith, is in the planning stage. The Fire and Rescue Fire Prevention and Investigation audit will be led by Nancy Beaty and it is in the planning stage. He reported that the Metropolitan Police Audit is on hold.

Mr. Snelding summarized that there are seven investigations in process. Gary Phillips is handling all of them. Mr. Phillips also handled 12 control reviews that have been completed.

Mr. Snelding noted that the agenda for the last meeting of the year has historically included an item for discussion regarding regularly scheduled meetings for the upcoming year. This was not the case in this instance. He suggested that the Chair and Vice-Chair could propose an additional meeting before the end of the year if for no other reason, then to cover that issue. An alternative was to consider January 19, 2006 as a tentative date and he could contact members to work out the details.

(10:14 – 10:18)

1-65

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on FY 2005-2006 Budget – New Audit Position.

BACKUP DOCUMENTATION:

None.

MOTION:

BROWN - Motion to accept the report – WEEKLY seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Deputy City Manager Fretwell briefed the members on this item on behalf of Deputy City Manager Steve Houchens, who was not present. It was her understanding that Mr. Snelding would soon be submitting the position before the Position Justification Committee for a review by the City Manager and Staff. After approval by that Committee, the recruitment process will commence. By the time the recruitment process is completed, the authorized funding for the position should be in place, which should be around the end of the year.

(10:18 – 10:21)

1-193

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on the Follow up on Lock up Variance Report to Departments from 2001-2002 Annual Audit Recommendation Follow up CAO 2600-0203-07.

BACKUP DOCUMENTATION:

None.

MOTION:

BROWN - Motion to close out Recommendation CAO 2600-0203-07 (Lock Up Variance Report) of the 2001-2002 Annual Audit Recommendation – WEEKLY seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Mr. Cimo explained that Audit staff has been working with the Information Technologies (IT) Department on this issue and they have provided him with a completed Variance report. The report could be reviewed on a daily basis if needed but will definitely be reviewed, at a minimum, on a monthly basis. Mr. Cimo found that to be acceptable. IT Director Joe Marcella said he agreed with the findings of the report. He noted this measure is of a detective nature and intrusion detection software has been established. The software lists and alerts staff anytime there is excessive activity in one particular area. The level of sensitivity can be adjusted as necessary by staff.

Mr. Marcella said the original issue related to administration and the volume of individuals logging on and off of the system. IT staff felt the volume would become an administrative burden. The implemented software removes that burden and allows staff to let the machines do the work with confidence the program will alert staff when necessary.

Member Weekly referenced a statistic in the report that there can be over 300 hacking attempts. He questioned whether those attempts can be traced back to individuals. Mr. Marcella replied that occasionally it can be done but in most cases, the hackers are sophisticated about cloaking the return addresses. Vice-Chair Brown confirmed with Mr. Cimo that the recommendation was to close the item.

(10:21 – 10:24)

1-256

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on Limiting Access from 2001-2002 Annual Audit Recommendation Follow-up CAO 2600-0203-07.

BACKUP DOCUMENTATION:

None.

MOTION:

WEEKLY - Motion to close out Recommendation CAO 2600-0203-07 (Limiting Access) – TRONCOSO seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Mr. Cimo stated the initial recommendation was that during different times of the day, such as 10 p.m. to 5 a.m., a lockout could be implemented to decrease the possibility of accounts being compromised. A report was generated showing 71 percent of the employees' schedules would not allow for such a process. Implementing the suggestion for only 29 percent of the employees would not be worthwhile. Mr. Cimo noted the current lockout time is 15 minutes and a 30 minute lock out time would be more desirable. Information Technologies (IT) staff has agreed to such an increase. Doing so would hinder the possibility of an account being compromised.

IT Director, Joe Marcella, agreed and stated the industry standard has become 30 minutes and it does indeed hinder mischief.

Vice-Chair Brown confirmed with Mr. Cimo that the recommendation was to close the item.

(10:24 – 10:26)

1-359

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on 1999-07 Las Vegas Municipal Court Recommendation C.01.ii – Physical Security of Court.

BACKUP DOCUMENTATION:

1. Submitted after meeting: Three PowerPoint presentation slides

MOTION:

BROWN - Motion to close Recommendation C.01.ii – Physical Security of Court – WEEKLY seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Mr. Snelding reminded the members that this item was discussed during the previous meeting and was considered for closure. Further review was encouraged by the committee and completed by Audit staff. Mr. Smith indicated that under the minimum accounting standards of the State, there was a requirement that the courts use a fireproof safe, if possible, in which to store money overnight. In response to the Audit Committee's request, the courts obtained a draft of the soon to be released minimum accounting standards, which will no longer require a fireproof safe. The new standards allow lockable safes or vaults be used to safeguard cash receipts.

Mr. Smith referenced a photo of the drop safes used by the courts and noted those safes do meet the requirements of the new standards. He indicated that the justice courts are using similar safes at the Regional Justice Center (RJC). Considering these facts, the recommendation is for the item to be closed.

Vice-Chair Brown spoke with Deputy City Manager Elizabeth Fretwell regarding details of the courts moving to the RJC and member Weekly requested Ms. Fretwell copy him on a memo explaining how the remaining space will be utilized.

(10:26 – 10:28)

1-421

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on an Actuarial Study of one of the City's self-insurance funds from 2002-2003 Annual Audit Recommendation follow-up CAO 2600-0304-05

BACKUP DOCUMENTATION:

None.

MOTION:

BROWN - Motion to abey to next meeting – WEEKLY seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Vice-Chair Brown noted that Chair Kern was very interested in this item and he asked that it be held to allow the Chair an opportunity to participate in the discussion.

(10:28 – 10:29)

1-505

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on Annual Audit Recommendation Follow-up June 30, 2005
CAO 2600-0506-01

BACKUP DOCUMENTATION:

1. Audit Report No. CAO 2600-0506-01
2. Submitted after meeting: Three PowerPoint presentation slides

MOTION:

WEEKLY – Approved the report with direction to City Manager’s office to work with Audit staff to review the older incomplete recommendations – TRONCOSO seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Mr. Snelding noted that there is a continuous monitoring and follow-up process involving the Annual Audit Recommendation and that includes keeping the members up to date with a status report at each meeting. He indicated the City Manager’s office is also given updates on a bi-weekly basis.

Bonnie Mocek reported on the follow-up activities. She stated that since January 1, 1999, the City Auditor’s office has provided 871 recommendations requiring corrective action. Her report summarized the status of those recommendations as of June 30, 2005. The objective of the follow-up program is to ensure that the recommendations are being appropriately addressed and also, to track status. She pointed out that City management is responsible for addressing audit recommendations.

Ms. Mocek explained that each recommendation is categorized by status with the following designations:

Complete –	The recommendation has been implemented or some other action has been taken to effectively correct the deficiency.
Incomplete –	The recommendation has not been implemented.
Extended –	The recommendation has not been implemented due to circumstances beyond the department’s control.
Not Due –	Due date identified by management has not passed.

She summarized the status of the audit recommendations and explained combined total of the Incomplete and Extended categories totals 81 and there are 38 recommendations with a Not Due status.

AUDIT OVERSIGHT COMMITTEE MEETING OF OCTOBER 20, 2005

Item 9 – Discussion and possible action on Annual Audit Recommendation Follow-up
June 30, 2005 CAO 2600-0506-01

MINUTES – Continued:

Ms. Mocek also explained that management has made progress toward the implementation of the recommendations; however, additional efforts should be made in finalizing incomplete recommendations.

Vice-Chair Brown questioned how the City was doing when compared to an industry standard. Mr. Snelding replied the most important number to look at would be the percentage listed in the Incomplete category. The Auditor's office is trying to focus on the incomplete items, which is seven percent of the total recommendations and that percentage is very good when compared to other cities and governmental agencies.

Vice-Chair Brown asked that the City Manager's office review any recommendations that are five or six years old so an explanation of why they are still incomplete could be provided. Deputy City Manager Elizabeth Fretwell said she would bring that up during the next meeting City management staff would have with Mr. Snelding. She felt many items fell somewhere between the categories of Incomplete and Extended. Staff could bring those items forward and review with the Committee and receive direction on how to address them.

Vice-Chair Brown acknowledged the work of the Auditor's office and noted that many departments now view the Auditor's function as an asset. He congratulated the Audit team and also thanked the department directors present for assisting the Audit department.

(10:29 – 10:36)

1-525

AGENDA SUMMARY PAGE
AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

SUBJECT:

Discussion and possible action on Audit of City Vehicle Replacement Program CAO 1702-0506-02

BACKUP DOCUMENTATION:

1. Audit Report No. CAO 1702-0506-02
2. Submitted after meeting: Seven PowerPoint presentation slides

MOTION:

WEEKLY - Motion to accept the report – TRONCOSO seconded the motion – UNANIMOUS with KERN and WORKMAN excused

MINUTES:

Mr. Snelding indicated the audit was completed by Phillip Chang but Bryan Smith completed the review process and he would be reporting.

Mr. Smith noted that Mr. Chang did draw upon the expertise of a consultant from Mercury Associates, a fleet management consultant, to complete the audit. He explained that the City has a fleet of over 1,200 units, including approximately 200 pieces of equipment such as mowers, backhoes and forklifts etc. There are approximately 400 specialized vehicles including fire trucks, street sweepers and boom trucks. The remaining 600 units are light-duty vehicles. The focus on the audit was primarily on the replacement program of the light-duty vehicles.

Mr. Smith explained that every vehicle is assessed with a monthly capital recovery charge and that annual charge is based on what was paid for the vehicle, the projected useful life and a five percent increment for inflation. Such charges stop at the end of the projected useful life estimate even though many vehicles are still in use after that time.

The estimated cost to replace all City vehicles with an expired replacement date would be approximately \$15.9 million dollars. There is currently only \$8.1 million dollars in the Capital Replacement Fund leaving a \$7.8 million dollar deficit. The deficiency is due in part to the Capital Replacement Fund being established years after many vehicles were purchased and inadequate capital recovery charges in the past.

An audit recommendation for the development of a funding plan was made to the Fleet Services division. That plan should ensure that adequate capital funds are available for future vehicle replacements. Options to reach that goal could include increasing the capital recovery charges or an infusion from other City funds.

AUDIT OVERSIGHT COMMITTEE MEETING OF OCTOBER 20, 2005

Item 10 – Discussion and possible action on Audit of City Vehicle Replacement Program
CAO 1702-0506-02

MINUTES – Continued:

Mr. Smith explained an analysis was done with 514 light-duty vehicles with projected useful lives of three, seven and eight years. This analysis revealed the projected useful lives may not appropriately reflect the historical usage of the vehicles or the projected annual usage. A recommendation was made that suggested using such information when ascertaining the projected useful life. Also, the rotation of low-use and high-use vehicles among staff and/or departments, where appropriate, was recommended.

Mr. Smith referenced a table titled Vehicle Useful Lives, which was broken into categories by years of assigned useful life. Within the eight year category, the vehicle with the lowest mileage registered 477 miles per year. In that same category, the highest mileage vehicle logged 22,538 miles per year. Based on these useful lives, following the current replacement program, the City could replace a vehicle at the end of the projected life with only 3,816 miles but may have held onto a vehicle for over 180,000 miles. Such a wide variation shows there are inaccurate projections as to the useful lives of the vehicles.

Other information reviewed during the audit included a comparison of the usage of the 555 light-duty vehicles. There were 25 vehicles used less than 2,000 miles per year and 78 vehicles used between 2,000 and 4,000 miles per year. This is evidence that the City may have more vehicles than its operational needs requires. However, more information would be needed from the departments in justifying the low-mileage vehicles.

Mr. Smith concluded by explaining one of the Audit recommendations was the establishment of a Vehicle Advisory Committee to oversee the vehicle replacement program and perform other functions such as evaluating alternative arrangements including vehicle rotations, vehicle sharing and the use of pool vehicles. Management did respond to the recommendations and he noted those responses were in the back of the report.

Field Operations Director, Larry Haugsness and his Fleet Services Manager, Dan Hyde, were present to comment on the audit. Mr. Hyde stated they do agree with the recommendations and wanted the record to reflect that low mileage on a vehicle is not the only characteristic used to determine a vehicle's useful life. He also pointed out that City vehicles are driven in a small geographical area so mileage may not be a perfectly useful tool. Fleet Services is trying to identify under-utilized vehicles and the auditors and the IT Department are helping with that operation. A database is being created that will allow Fleet Services to track vehicle information in a more efficient manner.

AUDIT OVERSIGHT COMMITTEE MEETING OF OCTOBER 20, 2005

Item 10 – Discussion and possible action on Audit of City Vehicle Replacement Program
CAO 1702-0506-02

MINUTES – Continued:

Vice-Chair Brown questioned Joe Marcella, IT Director, about whether a program could be purchased to assist with fleet management. Mr. Marcella stated that would be a second phase of a current installation. Hansen should handle the reporting and management being requested; however, if it does prove to be unsatisfactory, there are alternative plug-ins and systems that could facilitate this need. Obviously, staff would like to do the project as inexpensively as possible but if the project facilitates the purchase of something more expensive, staff is open to that. Mr. Haugsness stated they would like some more time to see if the current system will work before purchasing additional programming. There are benefits of going to an enterprise wide system and he wanted to give staff a chance to make it work.

Vice-Chair Brown told Mr. Hyde that the Fleet Services division is the best and he encouraged them to keep up their good work.

(10:36 – 10:46)

1-758

City of Las Vegas

AUDIT OVERSIGHT COMMITTEE MEETING OF: OCTOBER 20, 2005

CITIZENS PARTICIPATION:

None.

(10:46)

1-1109

MEETING ADJOURNED AT 10:46 A.M.

Respectfully submitted:

STACEY CAMPBELL, Administrative Secretary
Office of the City Clerk